GOVERNMENT OF INDIA
COAL
LOK SABHA

UNSTARRED QUESTION NO:1424
ANSWERED ON:22.08.2007
SIGNING OF INTEGRITY PACT BY CIL
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Will the Minister of COAL be pleased to state:

(a) whether Coal India Ltd. proposes to sign integrity pact to ensure transparency as reported in `The Times of India` dated July 13, 2007;

(b) if so, the details in this regard;

(c) the details of MoU signed with Transparency Integrated (TI) India in this regard;

(d) the salient features of integrity pact; and

(e) the extent to which such transparency will increase the production and business of Coal India Ltd. (CIL) during the Eleventh Plan Period?

Answer

MINISTER OF STATE IN THE MINISTRY OF COAL (DR. DASARI NARAYANA RAO)

(a): Yes, Sir. Initially in respect of procurement of goods and services which require the approval of Chairman-cum- Managing Director of the company or the Board.

(b) to (e): Coal India Limited (CIL) plans to ensure transparency in procurement and contracting by formally signing a memorandum of understanding with Transparency International India to institutionalize transparency in its public procurement practices. The need for bringing transparency in procurement and contracting in CIL was felt because of the targeted rapid growth in coal production from both opencast and underground mines as well as the thrust on coal beneficiation during the XIth plan period which will require the coal companies to go for large scale global procurement to be decided in an expeditious manner. From recent experience, CIL observed that many major tenders get delayed due to complaints and counter complaints from various sources. A need was therefore, felt to devise an effective mechanism to handle such situations in a strategic manner.

Integrity Pact is a tool devised by Transparency International worldwide to fight corruption in public contracting. The model of this document is based on the Berlin Airport reconstruction project and meets the legal criteria for global bidding. It was thought that Integrity Pact may be a way to deal with the problem of complaints and counter complaints in case of large public tenders in CIL.

On signing of the Integrity Pact, independent external monitors, drawn from a panel of eminent people of impeccable integrity are selected in consultation with CVC, and appointed to oversee all contracts valued above a certain limit. They would function as ombudsman to monitor the entire tendering process. The integrity pact would be signed by the bidders and CIL against each tender. Its applicability will begin when a bidder submits a bid document and would end after the execution of the contract when all payments are made to the satisfaction of both the contracting parties. In case of any allegation during the process of the finalization of any tender, the independent external monitor can call for the file and any other information from the management and also from the bidders, take his view on the tender committee's decision and advise the management appropriately.

After signing of the MOU with Transparency International, India the draft document of the Integrity Pact would be circulated by CIL to the vendors and large contractors and would be made available to all stakeholders. Suggestions of the prospective vendors both domestic and international will be sought on the draft to make the provisions more responsive and mutually acceptable. After that if any bidder does not sign the Integrity Pact while submitting its bid, CIL will not consider the bid.

Integrity Pact does bring in obligations on both sides - the buyers and the sellers to abide by certain ethical and legal guidelines during the tendering process. It does not entail any risk unless one is dishonest or intends to be dishonest. Once the concept of Integrity Pact is established in CIL's contracting environment, it will go beyond individual contracts and help develop confidence and trust in the decision making process of CIL in general. This would lead to more favourable competitive environment and confidence in the mind of all stakeholders.